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SIPDIS

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SUBJECT: LESOTHO: DRAFT 2008 NATIONAL TRADE ESTIMATE

REF: STATE 119765

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11. In response to reftel, post submits the following revised text for the 2008 National Trade Estimate. The "tracked changes" version of this text has been sent by e-mail directly to USTR.

LESOTHO

IMPORT POLICIES

Tariffs

Lesotho applies the SACU Common External Tariff. Additional charges include clearing fees ranging from M750 to M1,000 (approximately \$110 to \$140). Lesotho is a Member of the WTO, the Southern Africa Development Community (SADC), and the Africa, Caribbean and Pacific-European Union (ACP-EU) Cotonou Trade Agreement. With seven of its fellow SADC member states, Lesotho is a participant in the ongoing negotiations on a SADC-EU Economic Partnership Agreement (EPA).

Non-Tariff Barriers

Lesotho applies a permit system for all imports from non-SACU members. The system is applicable to all consignments imported by individual consumers and investors. Manufacturers are accorded preferential treatment through which a "Blanket Permit" is allowed with a validity of 12 months and an additional grace period of 3 months.

In recent years, the Government of Lesotho (GOL) has undertaken agricultural sector structural reforms including the removal of price subsidies and import controls on maize and wheat produce in favor of market-determined prices. The 1967 Agricultural Marketing Act, however, continues to control the importation of bread, legumes, sugar, eggs, meat, dairy products, fruits, and vegetables. The government does apply subsidies to maize, milk, beans, and other grains and agricultural inputs during poor harvest seasons. Currently, the government provides a 30% subsidy on agricultural inputs and a 20% subsidy on grains as a response to the 2006/2007 drought and subsequent crop failure.

With the exception of eggs, sugar and legumes, the import restrictions allow a limited exemption for consumer purchases outside the country. The Department of Marketing under the Ministry of Trade and Industry, Cooperatives and Marketing monitors the level of production of these commodities and issues import licenses in the event of short supply. However, national production has never met local demand. As a result, import permits are issued as a matter of course. Non-automatic licenses apply to import used clothing. In practice, no

licenses for used clothing are issued, constituting a de facto ban.

The Ministry issues permits for the import of used vehicles from outside the SACU area.

STANDARDS, TESTING, LABELING AND CERTIFICATION

Lesotho does not have a national standards body. The Standards and Quality Assurance section of the Ministry of Trade and Industry, Cooperatives and Marketing functions as the focal point for standards and quality assurance. No national standards have been developed to date. Industries in Lesotho have traditionally relied on the South African Bureau of Standards for voluntary standards facilities and quality assurance schemes. Local exporters have relied on traditional export markets and have developed their standards according to technical and quality requirements of importing countries, importing firms, or international standards.

Lesotho participates in a regional program on Standardization, Quality, Accreditation and Metrology for the SADC. The program aims to harmonize standards for adoption by all member states. Efforts are also underway to develop a regional accreditation authority.

GOVERNMENT PROCUREMENT

Lesotho is not a signatory to the WTO Agreement on Government Procurement.

In 2007, the Government adopted new public procurement regulations. Standard government procurement in Lesotho is conducted through open competition. However, some preferences are given to locally-owned companies in the government bidding process. Procurement regulations require the government to advertise online in order to conform to SACU and WTO standards. Lesotho's Ministry of Trade and Industry encourage foreign companies to bid on public tenders as joint ventures with local

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firms.

INTELLECTUAL PROPERTY RIGHTS (IPR) PROTECTION

Lesotho's Industrial Property Order (1989), Copyright Order (1989) and the Industrial Property Regulations (1989) are the basis for legal protection of intellectual property rights. Patents, valid for 15 years from the date of application, have rarely been issued in Lesotho, but trademark protection is widely sought and granted. Lesotho is a member of WIPO, the Berne and Paris Conventions, and the Regional Intellectual Property Organization, and is a party to the Patent Cooperation Treaty and the Madrid Protocol.

SERVICES BARRIERS

Foreign participation is not restricted in the service sector. The banking and telecommunications sectors are largely controlled by foreign ownership, in particular by South African institutions. Trade in services is guided by the WTO General Agreement Trade in Services (GATS).

The Trading Enterprises Order of 1996 restricts foreigners from participating in small trading activities that are reserved for nationals only. These include butcherries, barbershops, general cafes, and hair salons.

INVESTMENT BARRIERS

Lesotho welcomes foreign investment. Foreign investors have participated in the country's privatization program without discrimination. According to the International Finance Corporation, however, it takes 73 days to start a new business in Lesotho - a consequence of significant bureaucratic impediments and inefficiencies. In response, the government of

Lesotho has embarked on a private sector development initiative with the aim of improving the nation's investment climate. The private sector development initiative will be implemented through funding from the Millennium Challenge Corporation and the World Bank.

ELECTRONIC COMMERCE

The government of Lesotho adopted Lesotho's National Information and Communication Technology Policy in 2005. This introduced a regulatory framework for electronic commerce into Lesotho's legal system. The Ministry of Communications, Science, and Technology is responsible for its implementation.

Electronic commerce has not widely penetrated the country due to the low speed and high expense of Internet access. Telecom Lesotho, the sole fixed line Internet service provider, also holds a monopoly for international Internet access. There is no national exchange point, and peering is via South Africa, using expensive bandwidth for intra-national communication. Telecom Lesotho objects to the use of wireless connections by local Internet providers.

OTHER BARRIERS

Corruption

Business people state that solicitation of bribes in connection with government services does not occur. The government has received international accolades for its prosecution of multinational companies for corruption related to the awarding of contracts for construction of the Lesotho Highlands Development Project. In cases that have been upheld by the Lesotho Court of Appeals, the former Chief Executive of the Lesotho Highlands Development Authority (LDHA) and three multinational corporations have been convicted for fraud and bribery.

The government has established a Directorate on Corruption and Economic Offenses that continues to prosecute cases regarding embezzlement and bribery in government departments and the private sector.

ANDERSON